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SUBJECT: TAJIKS, WORLD BANK AND CONSULTANTS ON DIFFERENT PAGES FOR
REGIONAL ENERGY PROJECT

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REASON: 1.4 (b), (d)

¶1. (C) Summary: Tajikistan's April 24 energy roundtable underscored the fundamentally different perspectives of the World Bank and its consultants, and the Tajik government in approaching a project aimed at bringing 1000 megawatts of Tajik and Kyrgyz electricity to Afghanistan and Pakistan. The meeting, intended to launch the consultants' fieldwork for the Central Asia and South Asia Regional Energy Market (CASAREM) feasibility studies, was marked by the absence of a number of key players, including SNC Lavalin -- the consultants the Asian Development Bank hired to conduct the techno-economic study -- and some of Tajikistan's top decision makers, including Deputy Prime Minister Ghulomov.

¶2. (C) While the five-hour meeting allowed the World Bank to initiate a frank discussion about the concrete steps the Tajiks must take to realize the project, comments and questions from the Tajik side revealed that they are still thinking on a strategic, not specific level. The challenge before the World Bank is to ensure that Tajiks give realistic answers to the highly detailed and technical questions needed to analyze Tajikistan's electricity export capacity. Obtaining sound information from the Tajiks will require continuing intensive discussions by the World Bank's consultants and will not be forthcoming through e-mail exchanges from afar. End Summary.

¶3. (C) Instead of Deputy Prime Minister Asadullo Ghulomov -- Tajikistan's energy and infrastructure czar -- Minister of Energy and Industry Gulov opened the meeting, but left shortly after his remarks, as did the Chairman of the state-owned utility company Barki Tojik, Sharifhon Samiev. (Note: Also notably absent was former minister of Energy Abdullo Yerov, now an energy advisor to the presidential administration. End Note.) Robin Jones from Fieldstone Capital outlined their work plan, along with Nexant, and Chadbourne and Park, to examine the commercial feasibility of the regional project. Harvey Salgo, an advisor to the Multi-Country Working Group, stood in for SNC Lavalin by sketching the basics of the techno-economic feasibility study.

¶4. (C) The World Bank's Raghu Sharma presented risk mitigation instruments available for the project to the dwindling post-coffee break audience. In other remarks, he noted that Tajikistan needs to meet its domestic demand in order to establish the political credibility of its export commitments. Increases in international prices of steel, energy equipment and

services meant Tajikistan may need to revise the internal tariff structure to ensure cost recovery. Hydropower offered great export potential, but because it is seasonal, Tajikistan should think about coal resources to ensure a steady supply of exportable energy. "We may need a revised approach on the financial viability," he cautioned, noting these were all fundamental points for the project's member states to consider when deciding if it was a "go or no-go" at future working group meetings in Jeddah and Kabul.

Talking about my generation

15. (C) A number of Tajik officials -- Minister Gulov, Deputy Minister Akram Suleimenov, Deputy Chair of Barki Tojik Alexei Silantiev -- pressed for foreign investment in new power generation projects -- with the predictable shout-out for the United States to build the 4000 megawatt power station Dashti-Jhum. When Sharma asked hypothetically how Tajikistan would decide between domestic commitments to the state-owned aluminum facility (Tajikistan's biggest electricity consumer) and customers in Afghanistan and Pakistan, should the water levels fall to the point that there was no surplus in a given year, the Tajiks replied, "We will build more generation projects." Sharma was unable to extract a short-term concrete answer to the potential problem. Silantiev noted the need for an international consortium to develop the 3600 megawatt Rogun hydropower station quickly.

16. (C) Silantiev asked why the project was focused on exporting 1000 megawatts, when Pakistan had expressed interest in 4000 megawatts. Sharma and Nexant's Ray Holton both implored the Tajiks to think about this as a very concrete initial project based on existing surpluses that would set the stage for

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larger export projects. Sharma joked with the Tajiks, "Where are those 4000 megawatts you want to export?" he said. "You don't have that kind of export potential yet. I'll personally give one million dollars to anyone who can even ensure year round surplus of 1000 megawatts by 2010."

17. (C) Only Suleimenov and Pulat Mukhiddinov, First Deputy Minister of Energy and Industry, appeared to take the point. Mukhiddinov noted that Tajikistan needed to take advantage of the international financial institutions' help in managing risk, but doing some back-of-the-envelope calculations, Tajikistan should be able to export up to 1000 megawatts within the framework of the project. He also reported that in May, Tajikistan would host a meeting of up to 16 companies interested in investing in coal-fired power stations.

What next??

18. (C) The absence of Asian Development Bank-funded consultants SNC Lavalin undercut the purpose of bringing together all the players involved in Tajikistan's part of the regional energy project at the same table to explain the specifics and mechanics of the feasibility studies. Even privately to PolOff, Salgo declined to speculate as to why SNC-Lavalin failed to visit Afghanistan or Tajikistan. Asked if they planned to visit, he only shrugged. "I assume so." A project officer for the Asian Development Bank attended for the first part of the meeting, but left at the coffee break.

19. (C) Jones told PolOff during the coffee break that their visit to Tajikistan was intended to make contacts and create relationships, so they could be in touch over e-mail for future questions and research. And how would Fieldstone and Nexant verify that the information provided by the Tajik government was accurate? Jones looked at PolOff with raised eyebrows. "Good question."

¶10. (C) It was clear that only a few Tajik officials understood the purpose of the roundtable, or specific goals of the project.

Everyone showed enthusiasm for exports, but despite Sharma's Herculean efforts to bring the discussion to concrete steps and questions, the Tajiks still talked very broadly about the need for foreign investors to increase power generation capacity. Hopefully, Tajik decision makers will eventually digest and debate the tough questions Sharma and the consultants posed. However, the absence of Ghulomov and the nominal participation by Gulov and Samiev indicates that even if the deputy-level ministers understand the mechanics of the regional export project, the highest officials are still working off a different page, where big new dams are more important than power purchase agreements and commercial viability.

¶11. (C) The effectiveness of the consultants will be limited if they do not put their time in on the ground. Tajikistan is not yet on the information superhighway, and few government officials communicate by e-mail. Neither Barki Tojik nor the Minister of Energy and Industry has enough decent English-speakers to maintain meaningful cooperative correspondence. Further, the Soviet habit of fudging numbers makes state-issued statistics questionable in the best of circumstances, let alone when the government is desperately trying to secure international funding for its hydro-sector. Due diligence will be essential, and it cannot be conducted long-distance.

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